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**America's Asia Policy:  
Preparing for the 21st Century**

**Longer Essay**

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## Introduction

America's national security strategy is drifting, cut loose from its Cold War moorings and jostled from crisis to crisis. It is struggling to provide America with a new compass heading into the 21st century in a world where familiar reference points are fading and unfamiliar ones abound. Issues and problems of previously secondary importance suddenly have become critical determinants of international behavior and conflict. As the world's sole surviving superpower, American leadership is being called upon to resolve international crises, whether U.S. involvement is clearly in American national interests or not. Bosnia, Somalia, Haiti and the collapse of the old Soviet empire are but symptoms of a new world order that we have yet to fully comprehend.

But while America now enjoys a clear predominance in global military strength, national security has increasingly been defined in economic as well as military terms. And, in these other comparative benchmarks of international security, American dominance is unclear. As America's dominant position in world markets erodes, many perceive that the economic well being of its citizenry is in doubt. As the 1992 U.S. presidential election made clear, Americans are concerned about the nation's long term future, and worry that our economic foundation may be weakening.

The Clinton Administration's overarching challenge, then, has been to define and prioritize America's strategic interests and to formulate a set of policies at home and abroad to advance those interests. In a world of dramatic and dynamic change, this has been a daunting task. During the president's first year, three long term core goals have emerged that most agree are critical as we steer America into the 21st century: protecting America's economic security, maintenance of a security posture commensurate with an uncertain if

diminished threat, and finally, projection of American values, i.e., values inherent in democratic principles and market economies. But **how** to advance these strategic interests remains very much in debate, as are the relative priorities and weights that each should receive as we struggle to implement policy.

As military security makes room for economic strength in the complicated national security calculus, no region looms larger in strategic importance for the United States than East Asia. Its remarkable emergence in the past two decades as the world's most dynamic economic region has already had profound effects upon U.S. strategic interests. Moreover, several Asian states qualify as some of the world's most flagrant arms and missile proliferators. Then, too, there is the specter of a nuclear North Korea. Finally, three of the world's four remaining self-described "communist" states, China, Vietnam and North Korea, are Asian, defiant of western assumptions of their eventual collapse.

With this backdrop in mind, then, America is faced with a critical need to reassess its priorities and game plan toward Asia if it hopes strategically to position itself to protect its long-term interests and security. This paper examines the broad thrust of current U.S. policy toward Asia, in light of the critical role Asia promises to play in America's future as we head into the 21st century. The paper will highlight key new realities in the region that have significant implications for U.S. national strategic interests. It will conclude with suggestions for fashioning a new approach in line with advancing those interests.

### **U.S. Asia Policy Today**

A casual observer might conclude that 1993 was a watershed year for America's

policy toward Asia. President Clinton made Tokyo his first overseas stop as president in July when he attended the G-7 economic summit hosted by then Prime Minister Kiichi Miyazawa. Secretary of State Christopher visited Asian capitals three times in 1993 to consult on various issues -- the most visits to the region by America's top diplomat in recent memory. Finally, the United States hosted in Seattle in November the fourth annual Asia-Pacific Economic Cooperation (APEC) forum . It also held the first ever "leaders" meeting of 14 of 15 APEC heads of state, including Japan's new prime minister Morihiro Hosokawa and China's President Jiang. Indeed, Secretary Christopher declared in Seattle that "Today, no region in the world is more important to the United States than Asia."<sup>1</sup>

Recent policy speeches by top administration officials underscore Asia's growing importance. In Seattle, the president outlined for his APEC audience his perception of the growing importance of economics and Asia together in America's national security. He said,

"More than ever, our security is tied to economics. Military threats remain, and they require our vigilance and resolve. But increasingly, our place in the world will be determined as much by the skills of our workers as by the strength of our weapons; as much by our ability to pull down foreign trade barriers as our ability to breach distant ramparts."

Turning to Asia, he stated that, ".. As our concern shifts to economic challenges that are genuinely global, we must look across the Pacific as well as the Atlantic. We must engage the

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<sup>1</sup>. See America's Pacific Future, Address at the University of Washington, Seattle, Washington, November 17, 1993 published in U.S. Department of State Dispatch, Vol. 4, No. 48 November 29, 1993.

world's fastest-growing economies."<sup>2</sup>

Secretary Christopher provided his vision for American policy toward Asia in early November before the Senate Foreign Relations Committee. There he listed the strategic priorities of American foreign policy, identifying economic security as this country's top priority in the post-Cold War era and citing the Asia-Pacific region as "crucial" to the president's domestic agenda.<sup>3</sup> Elaborating later in Seattle, he described three core elements for greater American engagement with the Pacific: prosperity, security, and democracy. He cited strengthening our economic links with Asia multilaterally and bilaterally, maintaining a credible security presence in the region, preventing proliferation of weapons of mass destruction, working to develop new regional approaches to prevent crises and finally, promoting democracy as a means to making better neighbors and trading partners as the essential elements in guiding American interests in Asia.<sup>4</sup>

Finally, Assistant Secretary of State for East Asian and Pacific Affairs Winston Lord, whose responsibility is to translate these broad goals into effective policy, has outlined ten major goals for American policy in Asia to guide the Administration's work during his tenure. Explicitly avoiding establishing a priority among these and labeling them as "parameters of progress," he listed:

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<sup>2</sup>. See The APEC Role in Creating Jobs, Opportunities, and Security, remarks delivered by President Clinton to the Seattle APEC Hot Committee, Seattle, Washington, November 19, 1993.

<sup>3</sup>. See The Strategic Priorities of American Foreign Policy by Secretary Christopher before the Senate Foreign Relations Committee in Washington, D.C. November 4, 1993.

<sup>4</sup>. See again America's Pacific Future cited in footnote no. 1 above.

-- Forging a fresh global partnership with Japan that reflects a more mature balance of responsibilities;

-- Erasing the nuclear threat and moving toward peaceful reconciliation on the Korean peninsula;

-- Restoring firm foundations for cooperation with a China where political openness catches up with economic reform;

-- Deepening our ties with ASEAN as it broadens its membership and scope;

-- Obtaining the fullest possible accounting of our missing in action as we normalize our relations with Vietnam;

-- Securing a peaceful, independent and democratic Cambodia;

-- Strengthening APEC as the cornerstone of Asian-Pacific economic cooperation;

-- Developing multilateral forums for security consultations while maintaining the solid foundations of our alliances;

-- Spurring regional cooperation on global challenges like the environment, refugees, health, narcotics, non-proliferation and arms sales; and

-- Promoting democracy and human rights where freedom has yet to flower.<sup>5</sup>

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<sup>5</sup>. See A new Pacific Community: Ten Goals for American Policy, opening statement at confirmation hearings before the Senate Foreign Relations Committee for Ambassador Winston Lord, Assistant Secretary of State-Designate, March 31, 1993. Ambassador Lord's remarks in January, 1994 before the Overseas Press Club/Asia Society in New York, at the National War College February 5, 1994 and most recently at the National Defense University Pacific Symposium February 15, 1994 generally repeat these same ten goals.

## A Critique

Recognizing that a large and diverse region such as Asia necessarily requires a wide range of policy prescriptions to address sub-regional and bilateral issues, it is nonetheless in this translation from grand strategy vision to policy specifics that U.S. policy in Asia begins to blur. The Economist recently reported that Mr. Lord even told a group of American businessmen that the Clinton Administration was trying to determine "how to pursue multiple objectives with no clear hierarchy among them..., that it is now hard to tell whether economics, or human rights or whatever else takes priority."<sup>6</sup> Coping with rapid change, boxed in by past campaign rhetoric and current public opinion, and reflecting, at times, competing objectives, American strategy in Asia has grown confused and, in spots, even counterproductive.

Certain weaknesses are evident. First, Asia policy today simply lacks priority among Secretary Christopher's three key elements of prosperity, security, and democracy, i.e., a clear sense of what hierarchy of importance we need to follow on given issues. For example, as Secretary Christopher's March, 1994 trip to China made all too clear, human rights concerns are the overriding issue in our relations with China today. Yet pursuing this objective using American trade access as the key sanction is at cross purposes with our overarching theme of strengthening our economic links with the world's fastest growing economy.

Or, consider Japan. Despite our stated interest in forging a "global partnership," reducing trade imbalances with Japan has clearly dominated bilateral relations almost to the exclusion of other important areas of cooperation. Yet Japan is now undergoing significant

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<sup>6</sup> See "America and Asia," The Economist, April 16th, 1994, p. 24.



political change and its economy is in its sharpest downturn since WWII. Demanding trade concessions using a controversial "targets" policy may come at a price of undermining a fragile new coalition government and could strengthen internal proponents opposed to U.S. interests. Finally, as it has in the past, ASEAN<sup>7</sup> remains largely an afterthought except for Indonesia's human rights transgressions, despite the region's continued impressive economic pace and vitality.

The second weakness is the lack of sustained focus from the White House on promoting American relations with Asia. President Clinton's engagement in helping shape America's Asia policy has unfortunately been inconsistent. It has been driven more by the need to fight fires rather than to promote a climate conducive to enhancing America's long term influence in the region. (His role at the APEC leaders meeting in November, 1993 is, perhaps, a welcome exception.) Moreover, what limited time he has spent on international issues has understandably been on global trouble spots such as the former Soviet Union and Bosnia, not on strengthening relationships with his Asian counterparts.

A third weakness lies with lack of a broad policy framework in which to guide and strengthen America's economic interests with the region. We continue to claim that our economic interests are our top priority, but there is no genuine systematic program to advance those interests. Economic relations continue to have a short term, firefighting focus rather than a more comprehensive road map to enhancing America's economic security well into the 21st century.

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<sup>7</sup> The Association of Southeast Asian Nations (ASEAN) includes Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand.

Fourth, President Clinton's apparent appreciation of the linkage between America's long-term economic well being and our relations with Asia aside, there is no effective domestic outreach component both to inform and educate Americans about the opportunities and challenges Asia represents for the national economy. Perhaps reflecting this lack of appreciation by the American public of Asia's growing importance to the U.S., Congress as a whole is woefully ignorant of the strategic opportunities that our relations with Asia represent. It reflects little on how best to enhance America's strategic position in Asia. Rather, it presses the administration on pet issues such as human rights abuses in China or Indonesia without adequate regard to how these might affect other American interests.

Finally, the fifth weakness is more one of style than substance, perhaps borne out of the confidence and pride of America's achievements, its size and its strength. American foreign policy in Asia is prone to lecturing, can be overbearing, and is impatient when Asians defend a different viewpoint or approach. The best example is America's quest for protection of human rights in Asia. America's frontal approach has produced some results, to be sure, but it has also caused widespread resentment and may have set back other U.S. goals. In being confrontational, America is virtually alone among like-minded western nations. We are increasingly the subject of criticism from many of our Asian allies who fear they may be the next target of American displeasure.<sup>8</sup>

In sum, American policy toward Asia to date has been long on rhetoric but short on

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<sup>8</sup> See Bilahari Kausikan, "Asia's Different Standard," in Foreign Policy vol 92, Fall, 1993 pp. 24-41 which describes how America's approach to advocating protection of human rights in Asia fails to take adequate account of new Asian realities and of socio-economic and cultural differences.

fashioning a new blueprint to guide our approach to the region into the century ahead. We need to establish a clearer sense of priorities based upon new realities in Asia today if America's long term interests are to be protected.

### **Asia's New Realities**

With America understandably still preoccupied with the implications of the collapse of the Soviet Union, important developments in Asia have not influenced our strategic thinking sufficiently. For the purposes of this paper, I have identified five new realities that have profound and long-term implications for U.S. interests in Asia and, more generally, globally. These new realities must be factored into our long-term strategy if we are to protect and advance America's interests in the region.

#### **New Reality One: Asia, the World's Next Economic Locomotive**

In a recent meeting of the 1993 Pacific Rim Forum, composed of leading Asian/Pacific business, academic and government officials,<sup>9</sup> Dr. Ken Courtis, First Vice President of Deutsche Bank Capital Markets Asia and noted Asian specialist, offered a host of simple yet startling economic projections. These projections symbolically underscore the emerging reality of why Asia is poised to be the single most important economic region in the next 20 years.

According to Dr. Courtis, over the next decade, Asia will create 55-60 percent of the

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<sup>9</sup>See 1993 Pacific Rim Forum, Edited Highlights and Conclusions, published by Carroll Partners International, Victoria, Australia.

world's economic growth. By 1997, half the world's pagers will be in China; two-thirds of those sold worldwide will be in Asia. Projections suggest that by the year 2001, i.e., in approximately seven years, some seven million vehicles will be sold in Asia, compared to two million vehicles today. Infrastructure projects alone -- power generation, roads, airports, ports -- will total some five trillion dollars in commerce by the year 2003. Finally, while many see Japan's current economic malaise as a sign that the Japanese may face years of restructuring before they return to economic health, Dr. Courtis reminds us that Japan and the Asian region overall continue to have the largest savings rates in the world. Coupled with current account surpluses, it is clear the region will become the world's largest source of capital for global investment as we enter the 21st century.

The implications for America's national security are clear. With current trade flows across the Pacific now 50 percent already larger than those across the Atlantic, America's ability to sustain its own economic growth through heightened levels of trade and investment will necessarily depend on its ability to compete effectively in Asian markets. While American markets will remain critically important to Asian economies, American products will face continuous pressure from Asian and third country competition. Sustained American economic growth, and with it an improved standard of living, will be increasingly dependent on Asian markets and America's ability to earn an important share of Asian imports and service business.

### **New Reality Two: Rapid Asian Economic Integration**

Not only is Asia as a whole growing rapidly, but intra-regional trade and investment

growth are expanding faster than that with non-Asian markets. In 1991, such trade accounted for 35 percent of total East Asian exports, up from 22 percent in 1980.<sup>10</sup> Over the past six years, intra-Asian trade has expanded four times more rapidly than has Asian trade with the United States.<sup>11</sup> Finally, Japan has rapidly expanded its exports to the rest of Asia, increasing its trade surplus to the region from \$US 18 billion in 1989 to \$US 42 billion in 1992. To underscore the point, Japan's gross exports to Asia of \$US 118 billion in 1992 exceeded those to the United States of \$US 96 billion.

Many factors have contributed to this development. While intra-Asian trade growth was accelerating throughout the 70's and early 80's (but from a low base), the Plaza Accord in 1985, which revalued the yen with respect to the dollar, prompted Japanese firms to move their labor-intensive manufacturing facilities elsewhere. Some investment went to the United States, but Southeast Asia, Taiwan and Korea were the major recipients. This fueled the economic boom of the late 1980's still evident today. In addition, as the Chinese economy opened up to foreign investment during the 1980's, Japanese and Taiwanese investors began steadily investing large assets in China in export-oriented industries. Finally, Western corporations have increasingly recognized the need to invest strategically in Asia and have acted accordingly.<sup>12</sup>

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<sup>10</sup> See Chapter 5, "East Asia's Trade and Investment Patterns" in East Asia: Regional Economic Integration and Implications for the United States, May 1993, U.S. International Trade Commission Publication 2621, pp. 63-87.

<sup>11</sup> See Rethinking Japan Policy: A Report of the U.S. Japan Study Group, Carnegie Endowment for International Peace, 1993, pages 8-9.

<sup>12</sup> Dr. Alan Carroll, Managing Director of Carroll Partners International and noted strategic consultant in the region, refers to this massive influx of investment since 1985 as the "five waves" of post 1985 investment.

Accompanying this economic integration has been a growing sense of Asian identity.<sup>13</sup> This emerging concept of "Asianness" marks important differences between the "Western" approach to society, from what are and how to advance human rights, to sense of obligation to community and discipline as well as shared economic problems in the world today.<sup>14</sup> Malaysian Prime Minister Dr. Mahathir Mohammad's persistent call for formulation of an East Asian Economic Group focuses primarily on common economic concerns but postulates similarities among Asians (and pointedly excludes Australia and New Zealand) that bind Asians together despite widely differing levels of economic development and ideologies.

Asian economic integration holds implications for the United States. First, as America's relative share of Asia's trade and investment declines, American influence and leverage can also be expected to wane. Second, given the prominent role that Japan plays in this intra-regional trade and investment growth, its relative influence and leverage will increase. To the extent that Japan's economic and political objectives in Asia differ from those of the United States, it will be in a stronger position to realize those objectives. Finally, as Asian confidence and identity grow, Asians can be expected to pursue common courses on issues they deem important rather than simply follow American leads.

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<sup>13</sup> See Toichi Funabashi, "The Asianization of Asia," in Foreign Affairs November/December 1993 pp. 75-85 and Kazuo Ogura, "A call for a New Concept of Asia," in Japan Echo, Vol. XX, no. 3 Autumn 1993 pp. 37-44.

<sup>14</sup> See two recent articles by James Fallows which describe how Western and Asian views of philosophy and economics differ in The Atlantic Monthly, "How the World Works," (December, 1993) pp. 61-87; and "What is an Economy For," (January, 1994) pp. 76-92.

### **New Reality Three: Post Cold War Japan**

Experts generally agree that America's Cold War "big brother, little brother" relationship with Japan is now at an end.<sup>15</sup> Japan's remarkable economic achievements, its political maturation, and the shifting Cold War constellation of threats and adversaries have ushered in a new era of relations with the United States that has yet to be fully defined.<sup>16</sup> Yet these will have profound consequences not just for our bilateral relationship, but for our (and Japan's) general relations in Asia. While Japan's military security remains important and largely dependent on the United States, economics is clearly at the center of this new emerging bilateral relationship. And it is in the economic dimension where Japan has achieved full and equal status.

Yet enormous, chronic trade deficits, differing philosophical approaches to the relationships between government and business, consumers and producers, and the end game result from international commerce suggest that the two countries are not on firm ground for resolving differences easily or quickly. And encouraging Japan to pursue an independent political course necessarily will require the United States to live with an ally that may be considerably less supportive.

The Carnegie Endowment's recent study Rethinking Japan Policy<sup>17</sup> holds

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<sup>15</sup> See Joseph S. Nye, Jr. "Coping with Japan" in Foreign Policy, no. 89 Winter 1992/93 pp. 96-115 for a description of how the relationship has evolved of increasing relative power balance.

<sup>16</sup> See Kenneth B. Pyle The Japanese Question: Power and Purpose in a New Era AEI Press, Washington D.C. 1992 pp. 136-146 for a more complete description of how these developments have altered the old basis for the U.S.-Japan bilateral relationship.

<sup>17</sup> Carnegie Endowment, pp 17-19.

implications for our relations with Japan. Clearly, our evolving relationship with Japan must be seen in the broader context of our overall relations in Asia and their importance to the U.S. Were deep rifts with Japan over one element of our relations to undermine the overall relationship, it could create fear and uncertainty elsewhere in Asia that could have detrimental consequences for all concerned. Similarly, to continue America's commitment to maintain an active security presence in Asia and nuclear umbrella over Japan, we must be able to demonstrate to the American public that the United States will benefit in the economic promise of the region. Japanese cooperation is key to these issues.

Finally, a politically independent, economically strong Japan as the preeminent power in Asia will be received in many of Asia's smaller capitals with some trepidation. Memories of WWII run deep, and the inevitable loss of independence that accompanies closer economic ties to Japan will encourage smaller Asian nations to welcome continued American economic and political presence as an important counterweight.

#### **New Reality Four: 21st Century China**

Nicholas Kristof recently wrote in Foreign Affairs that the rise of China, if it continues, may be the most important trend in the world for the next century.<sup>18</sup> Indeed, even today, its influence and impact in the region have seen dramatic transformation since the early 1980's. Its economy has opened to foreign investment. It has permitted greater economic freedom to its citizens. It has managed so far its informal yet sensitive relations with Taiwan

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<sup>18</sup> Kristof, Nicholas D. "The Rise of China", Foreign Affairs November/December 1993, p. 59.



and Hong Kong without resorting to armed conflict or economic disruption. Finally, it has continued to modernize its armed forces, one of the largest standing armies in the world.

Its economic performance has been remarkable during this period and has improved dramatically the standard of living of most of its citizens that doubled during the decade of the 1980's. With its nearly 1.2 billion population and yearly real economic growth of over 9 percent per year since the mid 1980's, there is little question that, if it continues at this pace, China will rival Japan in the early part of the next century as the economic powerhouse in Asia.<sup>19</sup>

But U.S. relations with China over the past decade have seen serious peaks and troughs reflecting significant differences between our countries, our value systems. While the Tianamen Square human rights debacle caused the most public and symbolic rift, our differences over proliferation of weapons and missile technology, and integration into China of Taiwan and Tibet remain areas where Sino-American relations could face potential future confrontation. Our economic relations are also not without serious problems, and include access to China's market, China's avoidance of U.S. textile quotas and the use of prison labor to manufacture exports.

China remains stubbornly the world's largest and now most successful Communist state. Yet it faces enormous pressures and changes in the years ahead. And America has become, in the eyes of China's leadership, the embodiment of outside efforts to tell China how to get its house in order. Despite this, our extensive and growing economic ties and

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<sup>19</sup> See United States and China: Relations at a Crossroads, Policy Paper, Atlantic Council of the United States and the National Committee on United States-China Relations, February 1993. pp. 22-23.

people-to-people contacts argue strongly that we are not condemned to the same adversary relationship as existed with the Soviet Union.

There are options that can translate into real potential for cooperation. The Atlantic Council of the United States and the National Committee on the United States-China Relations published a recent policy paper entitled, "United States and China: Relations at a Crossroads."<sup>20</sup> Amid its long list of recommendations, it cautions policymakers repeatedly to seek to broaden areas where ties can be strengthened and to manage our differences in areas where we have clear differences such as human rights using international standards and multilateral support from our Asian and European allies.

#### **New Reality Five: Overall Stability in Asia is Improving**

While the headlines continue regularly to draw the world's attention to the darker side of regional stability, from North Korea's nuclear weapons program to human rights abuses in China, Indonesia and Burma, a compelling case can be made that the general trends toward greater stability in Asia are promising, perhaps the most promising in all the developing world. This is not to suggest that trouble spots cannot appear or that most problems are close to solution. Nevertheless, the reality is that the human condition in most parts of Asia is improving and many sources of instability are growing weaker.

Examples abound. Vietnam, while still a despotic Communist state guilty of serious human rights abuses, is clearly headed down a liberalized economic path. This program

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<sup>20</sup> See United States and China: Relations at a Crossroads, The Atlantic Council of the United States and the National Committee on United States-China Relations, February 1993.

should improve the welfare of most Vietnamese and gradually encourage Vietnam to play a more responsible role in southeast Asia. Cambodia's stability remains precarious but is nevertheless much better off than it was in the 1980's. For the first time in nearly thirty years, it is in a position to contemplate implementing a strategy for economic recovery and growth. The Philippines still suffers from the excesses of the Marcos regime and its turbulent aftermath, but the Ramos government is earning increasing respect for its steady if slow progress in establishing a sense of normalcy to the nation. Even in the Korean peninsula, while the current nuclear threat is disturbing and unacceptable, there are signs that the current impasse is borne out of the North's desperate economic situation at home. This is a problem that, managed correctly, could offer real possibilities to form the basis for some form of future Korean reunification.<sup>21</sup>

Ironically, China itself is perhaps among the best examples of how rapidly the general well being of its people can improve, including civic freedoms. While the current state of political freedoms lags all but the most repressive regimes in Asia, the situation is a considerable improvement over that of two decades ago. Many experts attribute much of this improvement to the steady economic gains that China has enjoyed in the past decade.<sup>22</sup>

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<sup>21</sup> A recent paper presented at the 1994 Pacific Symposium by Dr K.A. Namkung entitled, "Interdependence in Northeast Asia: The Role of North Korea in Regional Economic Integration," offered positive signs that there is growing realization in the North that it must be prepared to open up economically to the region if it is to reverse its economic slide which has reached disastrous proportions.

<sup>22</sup> See Liu Binyan, "The Long March from Mao: China's De-Communization," in Current History, Vol 92, No. 575 Sept. 1993 for a brief description of how economic reform has improved the economic and social well being in China while raising desires for political

These, in turn, have provided China's population with new wealth to improve its welfare and has exposed it to new ideas and desires for liberalization.

### **A New Policy Framework**

Given these new Asia realities, and U.S. goals of prosperity, security and values projection, I believe a new approach to Asia is necessary. This new approach need not be a radical departure from current policy, but it must be guided by clear if flexible hierarchy of priorities and sense of focus to ensure that America maintains its leadership role in the region while benefitting fully from the region's success.

#### **Establishing Our Priorities**

First, we must establish a clear priority among the three general goals. Now, more than any time since World War II, the primacy of our security relationship in Asia must give way to the new economic realities.<sup>23</sup> Strengthening America's economic ties must now be America's top priority in Asia.

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liberalization. Liu's perspective is that capitalism is already being practiced in China, not socialism, and that it is too late to reverse the trend which will continue to generate enormous pressures for political reform, particularly in the post Deng period.

<sup>23</sup> See Selig S. Harrison and Clyde V. Prestowitz, Jr., "Pacific Agenda: Defense of Economics?" in Foreign Policy no. 79, Summer 1990 pp. 56-76. They argue that America long subordinated its economic interests for higher priority security concerns during the Cold War. they suggest the post cold war period requires America to reexamine both its security and economic assumptions in Asia with a view to restructuring U.S. policy toward advancing America's economic interests.

America's ability globally to sustain its leadership and influence in a rapidly changing world will be a function of the long term vibrancy and health of its economy. In recent years, America's relative economic strength has waned, beset by chronic trade and budget deficits and erosion of its competitiveness abroad. But without a strong economic base, America will be hard pressed in the future to afford power projection capability it now enjoys when de-stabilizing threats emerge. Without a strong economic base, it will be unable to maintain the levels of investment and innovation necessary to assure U.S. competitiveness. Asian markets, its capital, and the competitive challenge it will provide promise to play a large role in our future economic health.

America's security interest in Asia is the second priority. But rather than contain a Soviet or Communist threat, our future security interests will remain vitally important in view of the importance that our security presence promises for long term peace and stability in the region. These conditions are necessary for the region's economic dynamism to continue from which both Asia and the United States may benefit.

Finally, promotion of America's principles of democracy and human rights should be the third priority goal of American interests in Asia. An Asia that follows democratic principles and to international recognized human rights will be a more stable region, less prone to conflict with its neighbors. Encouraging social and political reform in these areas will improve the climate for peaceful, sustained economic growth in the decades ahead.

These priorities are mutually reinforcing. But America's overriding national security interests lie in creating an environment in Asia where this economic dynamism can continue, and with it, benefits essential to America's long term economic strength. This, then,

establishes a flexible hierarchy to facilitate pursuit of different goals simultaneously. When conflicts among the three goals materialize, the impact on America's long-term economic interests must be the top consideration.

### **Establishing New Focus**

Having established the priorities among the three broad goals, America's leadership needs to establish coherent, long term policy toward each goal to help advance America's strategic interests. These policies must be the building blocks designed to help America maintain its leadership role in the region, to ensure Asian economic dynamism directly benefits American economic strength and to foster the conditions of stability through a security presence and projection of democratic values.

### **Priority One: Promoting Prosperity**

In 1989, Peter Drucker wrote in his book New Realities that the world economy had evolved from "international" to "transnational" where the goal was not 'profit maximization' but 'market maximization'. He observed that in the transnational economy, not just governments but regions are increasingly influential in fashioning effective economic policy. Moreover, he wrote, 'management' was eclipsing traditional factors of production land, labor, and capital as a country's (or a firm's) single most important attribute upon which its competitive position was dependent.<sup>24</sup>

America faces just such a competitive challenge in shaping its future economic

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<sup>24</sup> See Peter F. Drucker, New Realities , London, Madarin Paperbacks , 1989 pp. 109-111.

relations with Asia: to increase its market share through strengthening its economic and commercial ties to the Asia-Pacific region as Asia expands. At its heart must be a tough "management" challenge: fostering a climate that is best suited to America's economic strengths and potential. America's role must that of managing conditions and developments in manner that America's private sector can do what it does best.

Three dimensions comprise the thrust of this new policy to advance our economic interests in Asia: multilateral, bilateral and domestic. First, at the core of our multilateral policy must be a sustained, patient effort to ensure that APEC -- the region's most ambitious attempt to establish a regional institution to facilitate stable economic growth, can develop along the lines of open partnership, liberal trade and investment as described in the Economic Leaders' Vision Statement adopted in Seattle last November.<sup>25</sup> APEC has immense promise to foster a climate in the region conducive to sustained economic growth, prosperity and security while enabling the United States to be an integral part of the region's success.

APEC promises real political benefits, too. Beyond the economic "community spirit" it promises, it is also the first Asian-Pacific institution that includes the region's most important political and military powers, the United States, China and Japan, under one roof of cooperation. Here, joined by other APEC members, they periodically can address regional economic issues, and build a sense of working together, rather than facing one another across

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<sup>25</sup>The APEC Economic Leaders' Vision Statement dated November 20, 1993 calls for building a spirit of openness and partnership, reducing trade and investment barriers, better education job opportunities and communication links and environmental protection. For a more detailed and substantive sense of APEC's potential, see the Report of the Eminent Persons Group to APEC Ministers entitled, "A Vision for APEC: Toward An Asian Pacific Economic Community," October, 1993 APEC doc. #93-EP-01.

a tense bilateral trade negotiation table.

A second multilateral policy objective must be to strengthen our economic ties with ASEAN, particularly as ASEAN strengthens its own economic ties to Vietnam and possibly other Southeast Asia states. This should offer the United States improved access to these rapidly expanding economies and ensure that their economic growth also include a strong American dimension in the face of ASEAN's rapidly expanding investment links with North Asia. ASEAN countries welcome American investment and products; the U.S. government needs to establish long term multilateral ties that truly facilitate these flows.

Strengthening our bilateral economic ties forms the second key dimension of our pursuit of strengthening our economic ties in Asia. Steady bilateral market opening pressure in certain key markets will continue to play an important role to convince our Asian partners to provide Americans with the same access to their markets that they enjoy in ours. Here, our key leverage is the access they enjoy in our markets. Except in the most unusual of circumstances, the United States should avoid linking market access issues with other non-trade issues such as human rights. Human rights issues respond to different stimuli and America's overall strategic interests are generally not advanced by using a "trade club" on non-trade issues, particularly against countries where it is in America's economic interests to be engaged.

The United States must do a much better job of pursuing bilateral trade and investment opportunities. U.S. government efforts to facilitate private sector pursuit of commercial opportunities in individual Asian markets are still a nascent phenomenon compared to the efforts of many of our competitors. America needs to reflect hard on what



proactive steps it might take to facilitate investment and trade in promising Asian markets.

The third dimension of strengthening our economic ties to Asia focuses on what we need to do domestically to sharpen America's chances of economic success in Asia. From the elementary classroom to the business executive's office, Americans need systematically to be sensitized to the importance of Asia in America's future and the opportunities its offers. Government-facilitated trade and investment missions, periodic U.S. government/U.S. American Chamber of Commerce collaborations to publicize overseas opportunities and more aggressive promotion efforts in school to educate the American public must build awareness. Europe is in our history, but Asia is in our future.

### **Priority Two: Reshaping Our Security Posture In Asia**

America's security interests in Asia have changed significantly in the past five years. The Soviet threat is greatly diminished, yet growing nuclear tensions north of the Korean DMZ remain a major threat to north Asian stability. To the west, China's steady modernization of its armed forces, its power projection capability, its proliferation record and contested claims in the Spratly Islands all have de-stabilizing implications. Finally, America's ally Japan, to which we are closely bound in defense commitments, exhibits a new independence that may ultimately require America to reassess its use of forward bases on Japanese soil.

Yet our overarching security objective remains the same: to encourage peace and stability in the region. Therefore, there are four interlocking elements that must guide

America's security policy in Asia:

First, we must maintain a sufficient overall security presence in the Asia-Pacific region as a stabilizing factor to enable economic growth, trade and investment to prosper.

Second, most immediately, we must prevent armed (and possibly nuclear) conflict on the Korean peninsula through active deterrence. We must couple this deterrence with a long term strategy to foster conditions in which Korean reunification can be advanced.

Third, we must continue to provide strategic "comfort" through our conventional forward presence and nuclear umbrella to our key Asian allies Japan and Korea under the terms of our existing bilateral mutual defense treaties.

Finally, for the sake of international stability both within and without the region, we must engage those nations such as China and North Korea to curb proliferation of missiles, missile technology and weapons of mass destruction.

America's security posture across the Asia-Pacific region -- both presence and policy - must necessarily be serious yet cooperative. It should be designed to encourage good relations among Asians as well as with the United States, while prepared for meeting or deterring the unexpected. Asia's current economic boom has been possible thanks in large part to the absence of armed conflict throughout the region during the past 15 years. (Indochina being the notable exception). America, through its forward security presence in the region, has helped foster the peaceful conditions that have made this boom possible. It is in America's national security interests that the boom continue. But America must share in the

benefits to justify to the American people who must bear the cost of this presence.<sup>26</sup>

### **Priority Three: Promotion of Democracy and Human Rights**

This aspect of America's three strategic priorities will continue to be the most controversial for Asians. In Asia, there are several examples of countries with successful economies that have not embraced America's interpretation of human rights and democracy. Instead, some have chosen a more restrictive version such as Singapore or Malaysia which stop short of granting individuals the political rights and freedoms often taken for granted in most western countries. Others, notably China, have chosen a much more authoritarian approach that restricts political liberties severely while gradually introducing significant market liberalization and increased civic freedoms.

Many Asians argue that America's emphasis on the individual is not fully compatible with Asia's tradition of placing interests of the community above those of individuals.<sup>27</sup> Consequently, they tell us, America should not preach and lecture Asians about human rights, particularly when America's treatment of its poor and its minorities leaves much room for improvement.

There are lessons in these observations. Our style and approach must be indirect and

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<sup>26</sup> Admiral Charles Larson's adjustment to the post-Philippines presence with his "places, not bases" and "cooperative engagement" approaches to keeping his forces active and visible has been remarkably effective. See his remarks "Cooperative Engagement and Economic Security in the Asia-Pacific Region," delivered at the National Defense University March 3, 1993.

<sup>27</sup> See Bilahari Kausikan, "Asia's Different Standard" in Foreign Policy described in footnote 6 for a useful description of the differences and as they relate to economic growth.

patient. The United States will make only limited progress in pressing its views frontally on resistant Asian governments. Thus, while America should continue to speak out against flagrant human rights abuses, it should look to employing indirect means to foster the climate that is most conducive for this change. Student scholarships, people-to-people exchanges, Voice of America programming and good old fashioned economic interaction will gradually alert those Asians who do not now enjoy full political and social freedoms of the need to press from within for change. America must avoid making direct linkages between human rights progress and other aspects of its bilateral relations. The short term gains will likely be small and the downside risks to strategic American economic interests may be costly.

#### **Conclusion: America's National Security Needs Asia**

America remains the preeminent economic and military power in a world undergoing dramatic transformation. America's future prospects for remaining so will depend in large part on its ability strategically to strengthen its economic ties to Asia while taking an active role to encourage peace and stability in the region. Asia is changing rapidly. The United States needs to anticipate these changes and position itself accordingly. No region is more important to America's future than Asia, and that future will be first and foremost economic.